

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members of the Committee on Small Business

FROM: Committee Majority Staff

DATE: June 8, 2023

RE: Full Committee Hearing Titled: “Assisting Entrepreneurs: Examining Private and Public Resources Helping Small Businesses.”

On **June 13, 2023, at 2:00 P.M.**, the Committee on Small Business will hold a hearing titled “**Assisting Entrepreneurs: Examining Private and Public Resources Helping Small Businesses.**” The meeting will convene in room 2360 of the Rayburn House Office Building. The purpose of this hearing is to review the public and private resources available to assist entrepreneurs and the effectiveness of those programs.

I. Witnesses

- Mr. Chris Pilkerton, Chief Legal Officer, Accion Opportunity Fund
- Mr. Reginald Hodges, Owner and President, Training Center of Central Texas
- Mr. Rich Palmer, Managing Director, Launchpad Venture Group
- Ms. Sonya Smith, State Director, New York Small Business Development Center

II. Background

Entrepreneurs have several public and private resources available to help them start and grow their small business. Private sector companies and local economic development entities offer a variety of resources that respond to market needs. The federal government uses tax dollars to offer various programs and resources as well.¹

Rural entrepreneurs face additional challenges in their businesses, which can be supported through local economic development efforts. Given that 65 percent of workers in nonmetropolitan areas are employed by small or medium-sized businesses, these businesses are

¹ *Small Business Resources*, U.S. TREASURY (last visited Jun. 2, 2023) <https://home.treasury.gov/policy-issues/small-business-programs/small-and-disadvantaged-business-utilization/small-business-resources>.

the economic engine of their communities.² Studies show that expending and retaining these businesses can have a higher return on investment, and local economic development practitioners can assist by helping small businesses navigate burdensome regulations, access capital, complete business documents, and connect with large companies doing procurement in the region.³

Duplicative and ineffective programs are a government wide concern that extend well beyond entrepreneurship programs. Since 2011 the Government Accountability Office (GAO) made nearly 1,300 action recommendations to agencies to improve effectiveness.⁴ Additionally, about 64 percent of these recommendations were directed at just ten agencies: Department of the Treasury (including the IRS), HHS, Social Security Administration, DOD, Department of Labor, Small Business Administration (SBA), Department of Education, Department of Agriculture, Department of Veterans Affairs, and the Office of Personnel Management.

Within SBA there are overlapping and inefficient programs. For example, Community Navigators duplicates existing efforts previously undertaken by the Resource Partner Network comprising of Small Business Development Centers, Women’s Business Centers, SCORE, and Veteran’s Business Outreach Centers.⁵ This type of duplicative program leads to inefficiency, misuse of taxpayer dollars, and a bloated government. Further, surveys show that 70 percent of small business owners give the federal government a “C or below” grade for effectiveness of programs.⁶ Additionally, States also have resources available to entrepreneurs that can create a patchwork array of taxpayer dollars all going towards the same goal of helping America’s job creators.

The private sector assists entrepreneurs in many ways including career and technical education that can be leveraged into a small business, private corporations developing small business programs, or business incubators.⁷ Incubators provide an avenue for small business owners to access the professional services and advice needed to help meet the needs of their business. Businesses that utilize business incubators have a survival rate of 87 percent after 5 years of business.⁸ Some incubators are tied to corporations or even venture capital funds who have a vested interest in the success of small businesses they invest in.⁹

In the past, local SBA Resource Partners may have been the core assistance program in an area. Now, many regions have been joined by a business incubator, and the number continues to

² Mark Kerlin, *et. al.*, *Rural Rising: Economic Development Strategies for America’s Heartland*, MCKINSEY (Mar. 30, 2022).

³ *Id.*

⁴ GOV’T ACCOUNTABILITY OFFICE, GAO-22-105301, 2022 ANNUAL REPORT, 2 (May 2022).

⁵ Letter from Roger Williams, Chairman, H. Comm. On Small Bus., to Guzman, Admin., U.S. Small Bus. Admin. (Mar. 23, 2023).

⁶ *Small Business Owners Give the Federal Government Low Grads for Effectiveness of Programs, Services, and Tax Credits Available to Small Businesses*, GOLDMAN SACHS (Feb. 6, 2023).

⁷ 2022/2023 Texas Campuses Course Catalog, CENTRAL TX COLLEGE (Feb. 26, 2021); Press Release, Goldman Sachs, Goldman Sachs Announces 2022 10,000 Small Businesses Summit, the Largest Gathering of Small Business Owners in the U.S. (Jun. 29, 2022).

⁸ Ned Smith, *Incubators Heat Up Chances of Small Business Survival*, BUS. NEWS DAILY (Apr. 28, 2023).

⁹ Matt Preuss, *What is an Incubator*, VISIBLE BLOG (Jul. 11, 2022).

grow.¹⁰ Additionally, universities have quickly undertaken efforts to encourage economic development in their communities.¹¹ Private sector solutions have grown so much that some entrepreneurial development professionals said that the public and private organizations compete rather than collaborate.¹²

III. Conclusion

Both public and private resources can be valuable as entrepreneurs look to start or grow their business. We must ensure that any taxpayer dollars going towards these efforts are being effectively used in a way that is not duplicative of private sector initiatives. This hearing will examine the variety of resources available to small business owners.

¹⁰ BIPARTISAN POLICY CENTER, SMALL AGENCY, BIG MANDATE: A BIPARTISAN ROAD MAP TO MODERNIZING SBA, 43 (Mar. 2023).

¹¹ *Id.*

¹² *Id.*